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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

DIVISION OF
OIL, GAS AND MINING

m/23/007

IN RE:

NORTH LILY MINING COMPANY, INC.,
a Utah corporation,
EIN: 87-0159350

Debtor.

)
)
) Bankruptcy No. 01-23068-EEB

) Chapter 11

) M.C. No. KMK-8

IN RE:

XERES TINTIC, LLC,
EIN: 84-1528808

Debtor.

)
) Bankruptcy No. 01-23069-EEB

) Chapter 11

) Jointly Administered Under
) Bankruptcy No. 01-23068-EEB
) Chapter 11
)

**APPLICATION TO RETAIN ACCOUNTANT PURSUANT
TO 11 U.S.C. §327**

The Debtor, North Lily Mining Company, Inc., by and through its attorneys, Kutner Miller Kearns, P.C., makes its application to the Court for authority to engage Hein & Associates, LLP to perform professional accounting services for the Debtor, and as grounds therefor states as follows:

1. The Debtor filed its bankruptcy case pursuant to Chapter 11 of the Bankruptcy Code on September 6, 2001 and the Debtor remains a Debtor-in-Possession.
2. The Debtor wishes to retain Hein & Associates, LLP ("Hein") for the purposes of auditing the Debtor's consolidated financial statements as of December 31, 2000, and for the year then ended, and evaluate the fairness of presentation of the financial statements in conformity with generally accepted

accounting principles ("Audit"). Hein will also review the Debtor's interim financial statements for the periods within the year ended December, 2001 ("Review").¹

3. The Debtor is a publically traded company. The Audit is necessary for the Debtor's reporting requirements to the Securities Exchange Commission ("SEC") and will be included in the Debtor's Form 10-KSB for the year ended December, 2000. The Review is also necessary for the Debtor's reporting requirements to the SEC and will be included in its Form 10-QSB for the periods within the year ended December, 2001.

4. The accounting work which is proposed to be performed is set forth in the attached letter from Hein & Associates, LLP dated November 15, 2001 an attached as Exhibit A.

5. It is important to the Debtor to engage such professional because the professional services are needed to audit the corporations financial records and review interim financial statements. As provided above, the Debtor is required to meet certain reporting requirements promulgated by the SEC. A proper Audit and Review requires the assistance of a qualified professional.

6. William Yeates, a partner at Hein, is a Certified Public Accountant. Mr. Yeates will be the partner in charge of this account.

7. Mr. Yeates' Affidavit of Disinterest is attached hereto.

8. Hein will bill for its services on an hourly basis. Mr. Yeates' hourly rate is \$270.00. Management and staff members who may also perform Debtor's accounting work have hourly rates ranging from \$80.00 to \$270.00. All fees and costs will be subject to Court approval.

9. Hein estimates that the fees for the Audit will be \$18,000, plus expenses. Hein estimates that the fees for the quarterly Review will not exceed \$3,000 plus expenses, per quarter.

10. As a basis for its retention, Hein & Associates has also requested a retainer in the amount of \$13,500 for the Audit, and \$6,000 for the Review. The Debtor is filing a Motion for Approval of Retainer to Accountants Hein & Associates, LLP simultaneously with this Application.

11. Hein & Associates, LLP is not a creditor of the Debtor.

¹ The Debtor has filed an application to retain bookkeepers Wheeler Wasoff, P.C. to perform necessary bookkeeping functions and to assist in preparing the Debtor's financial statements. Hein will audit and review such financial statements.

WHEREFORE, the Debtor prays that the Court make and enter an order authorizing the Debtor's employment of Hein & Associates, LLP as the Debtor's accountant for the purposes as stated in the Application, and for such further and additional relief as the Court may deem proper.

Dated: March 20, 2002.

Respectfully submitted,

By: 

Lee M. Kutner (#10966)

Jenny M.F. Fujii (#30091)

KUTNER MILLER KEARNS, P.C.

303 E. 17th Avenue

Suite 500

Denver, CO 80203

Telephone: (303) 832-2400

Telecopy: (303) 832-1510

E-Mail: lmk@kutnerlaw.com

CERTIFICATE OF MAILING

I do hereby certify that on this 20th day of March, 2002, a true and correct copy of the foregoing **APPLICATION TO RETAIN ACCOUNTANT PURSUANT TO 11 U.S.C. §327** was deposited in the United States mail, postage prepaid, addressed to those parties on the **Limited Service List No. 15, Dated March 15, 2002.**



Lorri Parker

**HEIN + ASSOCIATES LLP***Certified Public Accountants and Consultants*

Denver • Houston • Dallas • Southern California

November 15, 2001

Board of Directors
North Lily Mining Company
1800 Glenarm Place, Suite 210
Denver, CO 80202

Gentlemen:

This letter confirms our understanding of the terms and objectives of our engagement to North Lily Mining Company (the "Company") and the nature and limitations of the services we will provide.

The purpose of our engagement is to audit the Company's consolidated financial statements (including all majority owned subsidiaries) to be included in its Form 10-KSB as of December 31, 2000, and for the year then ended, and evaluate the fairness of presentation of the consolidated financial statements in conformity with generally accepted accounting principles.

We will conduct our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts, may exist and not be detected by us. An audit is not designed to detect errors or fraud that are immaterial to the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. It will also include obtaining an understanding of internal controls sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal controls or to identify reportable conditions. The Company's management is responsible for establishing and maintaining a sound system of internal control, which is the best means of preventing or detecting errors, fraudulent financial reporting, and misappropriation of assets. We will advise you, however, of any matters of that nature that come to our attention unless they are clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

We direct your attention to the fact that management has the responsibility for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities, for the proper recording of transactions in the books of account, for the safeguarding of assets, and for the substantial accuracy of the financial statements. Such financial statements are the responsibility of management. Our responsibility is to express an opinion on the financial statements based on our audit.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to the auditor in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



A member of
Moore's Rowland International
an association of independent
accounting firms throughout
the world

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Phone 303-298-9600
Fax 303-298-8118
www.heincpa.com

Board of Directors
North Lily Mining Company
November 15, 2001
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During the course of our engagement, we shall request information and explanations from management regarding the Company's operations, future plans, specific transactions, accounting systems and internal controls, and it is management's responsibility for making all financial records and related information available to us. At the conclusion of our audit, we will require as a precondition to the issuance of our report that management reconfirm this information in a written letter of representations. Although our audit procedures are generally designed to detect material errors in your financial statements, our audit procedures are heavily influenced by the representations that we receive from management. False representations made to us by any officer of the Company may cause us to be unable to complete our audit.

The objective of our audit is the expression of an opinion on the Company's financial statements. Our ability to express that opinion, and the wording of our opinion will, of course, be dependent on the facts and circumstances at the time of our report. If our opinion will be other than unqualified, the reasons therefore will be fully disclosed.

Our fees are based on the amount of time required at various levels of responsibility, plus expenses (i.e., travel, report and computer processing, copying, telephone, messenger service, etc.), payable upon presentation of our invoices. Generally, our current professional hourly audit billing rates for partners range from \$225 to \$260, professional staff from \$95 to \$160 per hour, and administrative support is \$40 per hour. Interest on past due amounts to HEIN + ASSOCIATES LLP will be 1% per month for all amounts not paid within 30 days of our original billing.

We estimate that our audit fees for the year ended December 31, 2000 will be \$18,000, plus expenses. This estimate assumes reasonable assistance by your contract personnel (i.e., Evan Wosoff) in preparing schedules and other information in a timely manner. Our fees will be due as follows: \$13,500 prior to commencing fieldwork and the remainder upon completion and approval by the bankruptcy court. We reserve the right to suspend or terminate our services if our invoices are not paid on time. If we elect to terminate our services because timely payment has not been made, your engagement shall be deemed to have been completed notwithstanding our failure to have rendered a report on your financial statements, and you shall be obligated to pay all time charges and accrued out-of-pocket disbursements through the date of termination.

We will also review the interim financial statements of the Company to be included in its Form 10-QSB for the periods within the year ended December 31, 2001, in accordance with standards established by the American Institute of Certified Public Accountants. Our review will consist primarily of inquiries of company personnel and analytical procedures applied to financial data, and we will require a representation letter from management. A review does not contemplate tests of accounting records and responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an audit. Thus, a review does not provide assurance that we will become aware of all significant matters that would be disclosed in an audit. Our services will not constitute an audit of the financial statements of the Company in accordance with generally accepted auditing standards; consequently, we will not be able to express an opinion on the financial statements.

Moreover, since the usual audit examination cannot be relied upon to disclose errors and irregularities or illegal acts, there is little likelihood of their discovery when, as in this case, no audit has been undertaken. However, we will inform you of any matters that come to our attention which cause us to believe that such conditions exist. We will not issue a review report as a result of this engagement but will report the completion of our review to you verbally. We estimate that our fees for the quarterly reviews will not exceed \$3,000, plus expenses, for each quarter. Payment

Board of Directors
North Lily Mining Company
November 15, 2001
Page 3

will be \$6,000 prior to commencement of our reviews and the balance upon completion and approval by the bankruptcy court.

The Company will not release earnings for any period prior to the substantial completion of our procedures.

If, as a result of our prior or future services to you, we are required or requested to provide information, or documents to you or a third-party in connection with a legal or administrative proceeding in which we are not a party, our efforts in complying with such request or demands shall be deemed a part of this engagement and we shall be entitled to compensation for our time and reimbursed for our reasonable out-of-pocket expenditures (including legal fees) in complying with such request or demand. Nothing herein, however, is intended to relieve us of our duty to observe the confidentiality requirements of our profession.

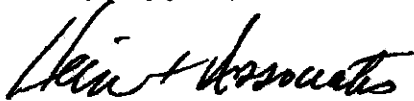
If our report is to be included in or referred to in any other documents by the Company, including the Form 10-KSB, we require that we be permitted to review the document in its entirety prior to release.

Our professional practice is subject to a peer review, under which another accounting firm reviews selected engagements every three years to determine that we are appropriately applying professional standards and practices. If your engagement is selected as part of our peer review, you grant permission to the accounting firm conducting our peer review, including any oversight persons, to review your reports and records contained in our working papers for purposes of performing the review.

This engagement letter is subject to the completion of our standard client acceptance procedures.

If the foregoing is in accordance with your understanding, please sign and return to us the duplicate copy of this letter.

Very truly yours,



HEINE + ASSOCIATES LLP

APPROVED:

BY: _____
(Board Member)

DATE: _____

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

IN RE:)	
)	
)	Bankruptcy No. 01-23068-EEB
NORTH LILY MINING COMPANY, INC.,)	
a Utah corporation,)	Chapter 11
EIN: 87-0159350)	
)	M.C. No. KMK-8
Debtor.)	
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IN RE:)	
)	Bankruptcy No. 01-23069-EEB
XERES TINTIC, LLC,)	Chapter 11
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)	Jointly Administered Under
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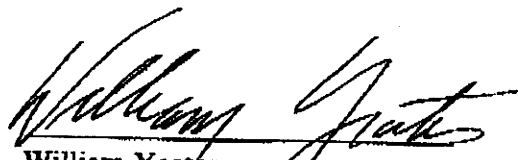
AFFIDAVIT OF DISINTEREST

I, William Yeates, do swear and affirm as follows:

1. I am a Certified Public Accountant.
2. I am a partner at Hein & Associates, LLP whose office is located at 717 Seventeenth Street, Suite 1600, Denver, Colorado 80202.
3. I do not represent any entity, including any creditor, which has a claim against the Debtor, nor do I represent any party in interest adverse to the interests of the Debtor.
4. I am disinterested as defined by 11 U.S.C. Section 101(14) and do not have an interest materially adverse to the interest of the estate or any creditor.
5. I am not aware of any other connection with the Debtor, creditors or any other party in interest, their respective attorneys and accounts, the United States Trustee or any person employed in the Office of the United States Trustee.

6. The statements contained in the Application to Retain Accountant are true and correct to the best of my knowledge and belief.

Dated: March 19, 2002.


William Yeates
Certified Public Accountant
Audit Partner In-Charge

STATE OF COLORADO)
CITY & COUNTY OF DENVER)

Subscribed and sworn to before me this 19th day of March, 2002 by William Yeates.

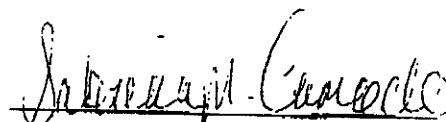
WITNESS my hand and official seal.

My commission expires:

[SEAL]



My Commission Expires 04/2004


Notary Public

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

IN RE:)	Bankruptcy No. 01-23068-EEB
NORTH LILY MINING COMPANY, INC.,)	
a Utah corporation,)	Chapter 11
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)	Chapter 11

ORDER APPROVING APPLICATION TO RETAIN ACCOUNTANT

This matter, having come before the Court on the Application to Retain Accountant Pursuant to 11 U.S.C. §327, the Court having reviewed said Application and Affidavit of Disinterest attached thereto, notice not being necessary, and the Court being advised, does hereby

ORDER

That the Debtor is authorized to retain Hein & Associates, LLP, as accountants, to render services in regard to auditing the Debtor's consolidated financial statements as of December 31, 2000, and for the year then ended, and evaluate the fairness of presentation of the financial statements in conformity with generally accepted accounting principles, and review the Debtor's interim financial statements for the periods within the year ended December, 2001. The firm of Hein & Associates, LLP will be compensated from the estate for its services only upon application to the Bankruptcy Court for such fees and costs and after notice to creditors with opportunity for hearing.

Done and entered this _____ day of _____, 2002 at Denver, Colorado.

Judge Elizabeth E. Brown
United States Bankruptcy Judge